

LOCAL HOTEL-MOTEL TAX (STATE SHARED)
RCW 67.28.180

<u>Tax Base</u>	Charges for lodging at hotels, motels, rooming houses, private campgrounds, RV parks and similar facilities for continuous periods of less than one month.
<u>Tax Rate</u>	Up to 2.0 percent - all cities and counties that levy the tax have adopted the maximum rate. Pursuant to RCW 67.28.190, the tax is deducted from the state retail sales tax (currently 6.5 percent) so that the hotel-motel tax is not an additional tax for the customer but represents sharing of the state retail sales tax with cities and counties.
<u>Levied by</u>	<p>Cities and counties. Currently 134 cities and 33 counties impose the tax. Since 1975, the county tax must allow a credit for the amount of any tax levied by cities within the county, thus precluding both the city and county tax from applying to the same lodging transaction. However, RCW 67.28.180(2)(b) allows a county to continue levying the tax when a city also levies the tax, if the county had pledged the tax receipts to payment of principal and interest of revenue or general obligation bonds issued by a city or by the county prior to June 26, 1975. This exception allowed the cities of Bellevue and Yakima to levy the tax in addition to King and Yakima Counties. (Thus, the state gives up 4.0 percent of the state sales tax on room rentals in these cities.)</p> <p>According to RCW 67.28.180(2)(c), additional cities in counties where "double dipping" occurs are prohibited from levying the tax, unless the city has already pledged the revenues toward retirement of revenue or general obligation bonds, until the county bonds are retired. Thus, Seattle and other cities in King County will have to wait until the year 2021, when the bonds for the Kingdome and the professional football stadium are retired, to levy the 2.0 percent tax. Any bonds that finance new projects after March, 1991 must be retired by 2013 in order for both the county and city to levy the tax.</p>
<u>Administration</u>	Department of Revenue (RCW 67.28.200). Unlike certain other state-collected local taxes, no reimbursement for cost of collection is allowed for the Department. Transient rental income is reported by hotels and motels on their combined state excise tax return (Form #40 2406); the funds are distributed monthly by the State Treasurer to the levying jurisdictions.

Recent Distributions (\$000)

<u>Fiscal Year</u>	<u>Cities</u>		<u>Counties</u>	
	<u>Amount</u>	<u># of Cities</u>	<u>Amount</u>	<u># of Counties</u>
2001	\$10,391	134	\$17,271	33
2000	10,122	130	16,573	33
1999	9,321	128	14,854	33
1998	8,750	124	14,204	33
1997	8,505	129	13,504	32
1996	7,643	128	11,902	32
1995	7,152	126	10,678	32
1994	6,796	123	9,863	32
1993	6,361	121	9,613	32
1992	6,271	121	9,495	31

Distribution of Receipts

All receipts collected by the Department are distributed by the State Treasurer to the levying cities and counties within two months following their receipt from the hotels and motels. Hotel-motel tax receipts may be used for promotion of tourism or construction and operation of tourism-related facilities (RCW 67.28.1815). Further, RCW 67.28.184 stipulates that a city may not use hotel-motel tax receipts for a facility intended to house a professional sports franchise, if the county is already using its tax receipts for such a purpose.

Exemptions, Deductions and Credits

- emergency lodging provided to homeless persons.

History

The tax was authorized in 1967 for King County to provide funding for the King County Stadium (Kingdome). It was broadened in 1970 to include the cities of Tacoma and Spokane and in 1973 to any city or county. The requirement that the city tax must be credited against the county tax (except for Bellevue and Yakima) was added in 1975. A variety of expanded uses of the tax occurred in 1973 (convention centers), 1979 (arts facilities and tourist promotion), 1985 (capital improvements in stadiums), 1986 (tourism strategies in distressed areas and tall ships in Grays Harbor County), 1987 (agricultural promotion), and 1988 (steam railroads). Additional uses were authorized from 1991 until 1997, when the Legislature repealed the specific uses of hotel-motel tax funds and instead allowed the tax to be devoted to any tourism-related purpose.

Discussion/Major Issues

During 2000, approximately 2,430 hotels and motels reported transient rental income in jurisdictions which levy the local tax.

This tax represents a means for the state to provide financial assistance for local facilities and tourist promotion efforts without going through the budgetary process and with no additional tax burden for hotel-motel customers. Smaller jurisdictions may not be able to utilize the receipts for construction and operation of stadiums or other facilities, but most can use financial help for tourist promotion costs.

Hotel and motel facilities are required to report transient rental income (not the actual tax) for each jurisdiction in which they do business. This can cause difficulties for chain establishments but is no more complicated than the reporting requirements for local sales tax purposes.